CONCORDIA UNIVERSITY

BOARD OF GOVERNORS

CONCORDIA EMPLOYEE BENEFITS COMMITTEE

MEETING OF MAY 26, 1982

Attendance: Acting Chairman, Mr. G. Fisher, Mr. R. Doutre, Mr. S. Huza, Prof. C. Potter, Mr. B. Smart, Mr. C. Waters, Miss D. Johnson and Mr. M. Hamilton of William M. Mercer Ltd.

In Absentia: Prof. G. Martin and Prof. H. Ripstein

Minutes of the Meeting of May 26, 1982:

Audit Report: Prof. Potter asked why there was no break-down of expenses and was advised that the financial report included in the audit report is a summary of the stewardship report prepared by the Custodians, National Trust. The Committee requested a break-down of the expenses. Prof. Potter also asked if the Chairman had met with the auditors, Mr. Fisher indicated that he had not but a meeting can be arranged.

The proposed audit fee was discussed and it was noted that the increase was $700.00, a 12.7 % increase. The Committee asked that a survey of audit fees for similar size plans be conducted. If the audit fee is found to be excessive it should be negotiated further. Mr. Smart proposed a motion that the audit fee be approved if it is found to be appropriate for the size of the Concordia Plan. The motion was seconded by Mr. Waters and carried.

Wood Gundy Comparative Measurement

Mr. Guy Blain summarized the results of the comparative measurement report. In the Beutel Goodman portfolio the equity exposure was less than 75% of the funds measured. This was beneficial because the equity market was down. The overall asset mix provided a positive factor. Canadian equities were in the upper 50% of the funds resulting in neutral impact on the fund. The non-Canadian equities produced negative effect and pulled down the overall fund performance. The bond holdings produced neutral effect and the overall performance of the Beutel Goodman portfolio was average.

In the Jarislowsky Fraser portfolio the debt-equity ratio had neutral effect. There was above average exposure to bonds which was a positive factor. Non-Canadian equities lost @ -14.3%, however, total equities produced first quartile results @ -4.6%. The bond component along with Canadian equities resulted in positive effect.

In the past two years the combined fund results have provided above median performance. Only 18.7% of the funds measured have had similar performance over 2 years. On the risk-return analysis chart Mr. Blain pointed out that the Concordia fund was moving closer to the higher return line.

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Prof. Potter asked if the T.S.E. was outperforming the fund and Mr. Blain noted that it had not outperformed our fund in the last two years.

Investment Review, Jarislowsky Fraser

Mr. Kertland pointed out to Committee that there was an unresolved question regarding the U.S. equity assets reported by National Trust. A number of U.S. stocks were recorded in the Canadian equity portfolio thereby excluding the exchange component. The equity cash reserves were registered as Fixed assets and they should have been measured as contributing to the Equity results.

It was noted that Wood Gundy has been approached with the request that they report on the basis of Equity plus cash reserves and Fixed plus cash reserves. In the Jarislowsky Fraser Bond account the reserves were 18% and 21% in the Equity account.

Mr. Smart asked if the guidelines were satisfactory and Mr. Kertland indicated they were perfectly fair.

Bonds & Mortgages

Mr. Kertland advised Committee that Jarislowsky Fraser was changing strategy this year in bonds. They are shifting money into U.S. pay bonds of Canadian issuers. With a U.S. prime rate of 16% and inflation of 8% there has never before been such a gap.

Mr. Waters asked what the impact of exchange would be on these transactions and Mr. Kertland indicated there was really none since interest is paid in U.S. dollars. Also, the average term of the bonds will increase as the U.S. holdings are 10 year bonds.

Equity

Jarislowsky Fraser has 20% cash reserves in the Equity portfolio. Toronto Dominion and Trans Canada Pipeline were sold, Hiram Walker was the horror story of the year but with bad news behind them now is the time to buy more.

On the U.S. side Jarislowsky Fraser is trying to stay with the blue chip stocks as long as the economic outlook is questionable. Mr. Kertland noted that they wish to keep our portfolio fully invested at the 10% U.S. limit. When all the news is grim it is the time to get reinvested.

Investment Review - Beutel Goodman

Mr. David Williams summarized the U.S. and Canadian economic overview from Beutel Goodman's point of view. On the U.S. side the interest rates remained high longer than expected and there is a depression now in auto manufacturing and consumer durables. There are early signs of recovery and a turn in the U.S. economy is anticipated in the second half of the year and into 1983.

The cornerstones of a less inflationary economy are now in place with labour concentrating on job security rather than wages and oil prices stabilizing. Although

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corporate profits have been terrible in the first quarters the rebound should be of the same magnitude. The psychology in the Bond Market and Stock Market is characteristic of the bottom and as we start into recovery, production capacity has to be rebuilt and money has to be spent.

On the Canadian side there was mildly negative growth in the second quarter of '82. Oils have lagged and corporate profits are terrible this year. Beutel Goodman have changed their estimates for the Canadian to U.S. dollar and now predict it may go below 80¢ if there are no reductions in wage demands. Inflation is expected to be 10½% this year and 9% to 9½% next year.

On the Fixed Income side the direction of interest rates is down. When the short term interest rates come down people will be trying to lock in for longer terms. In the Bond portfolio Beutel Goodman is employing reserves to buy Canadian bond issues. Corporate bonds are being weeded out and mortgage holdings are being reduced.

On the U.S. side equities are the place to be and Beutel Goodman is buying stocks which are trading at low multiples of their earning power. It is the intention of Beutel Goodman to maintain a fully invested position on the U.S. side of the portfolio.

Within the Canadian Equity portfolio there is still 24% in cash reserves and the intention is to transfer funds from Fixed to Equity to take advantage of opportunities before prices go up.

Mr. Smart asked if it was the time to be buying assets now and Mr. Williams cited the example of Hiram Walker which dropped to $2.00 per share and is now selling at $16.00 per share. Although the current rate of return is not great, the liquor assets are there and the potential is there.

In mines Beutel Goodman has had the worst investment experience within their portfolio because the recession lasted longer than was anticipated, however, when the economic demand comes the Canadian producers will benefit.

Mr. Doutre asked if Beutel Goodman still had confidence in the resource industries. Mr. Williams noted that the expectation was that returns would be very positive within two or three quarters. With respect to Inco, Mr. Williams noted that all the bad news was known now and it is unlikely that the deposits will deplete before prices go up. They may take a strike which will reduce inventories but Beutel Goodman still has confidence in their ability to pay down ther debt.

Minutes of the Meeting of March 10, 1982

Mr. Smart noted that the minutes excluded the date for production of Employee Benefits Statements.

The Secretary indicated that the minutes would be amended to include the projected production date.

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A motion to accept the minutes as amended was proposed by Prof. Potter and seconded by Mr. Waters. The motion was unanimously carried.

Bill 15 - Abolition of Mandatory Retirement

Mr. Malcolm Hamilton summarised the terms of Bill 15 and suggested that Concordia maintain statistics and cost data in order to make application for exemption.

Mr. Hamilton pointed out that those employees who had been notified of their retirement prior to April 1 and had reached age 65 before April 1st are not protected by the Bill. Also, the collective bargaining groups are not covered by the law until the current agreement expires.

Two factors in the law affect the amount of pension to be paid. First, any amount of pension benefit purchased after age 65 must have a value equal to any contributions made by the employee.

No employer rights were created, however, employers can still retire, dismiss or suspend employees on the basis of performance. Other employer rights related to the payment of pensions, service accruals and other benefits were noted.

Mr. Hamilton pointed out that plan amendments must be filed by October 1, 1982, where there are no collective bargaining groups, and have an effective date of April 1, 1982. Where there are collective bargaining groups the plan must be amended three months after the signing of the new agreement. (A copy of the working document entitled Bill 15 - Mandatory Retirement In Quebec is attached as Appendix A to the official minutes.)

Mr. Fisher observed that we would surely need new actuarial calculations to account for the effect of people staying in the plan beyond age 65. He noted that life expectancy at age 65 would differ from life expectancy at age 71.

Mr. Hamilton noted that the actuarial result in the Pension Plan would have to be neutral in accordance with the terms of Section 44.5. Also, the trend that will predominate will be an increase in the retirement age and whether or not contributions stop after age 65 the effect on the fund will have to remain neutral.

Mr. Smart asked if there was any reason the University should opt for one option over another. Mr. Fisher added that the Committee can review them. Sample calculations are needed to show the neutral effect. Also, material is needed to provide a basis for recommendations and suggestions for policy. Mr. Fisher also suggested that perhaps we should have a meeting on this topic by itself in order to review all of the information that is available.

Employee Benefit Statements

Mr. Smart asked that this item be permanently placed on the agenda until the statements are produced.

Miss Johnson noted that we were still trying to achieve production in late June, however, other developments such as Bill 15 and staff illnesses have impeded progress.

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Group Insurance Plans - Claims Analysis

Pursuant to a request for historical claims data Mr. Hamilton provided working documents showing a five year experience history under the Long Term Disability, Group Health and Group Life Insurance plans. It was noted that our average Long Term Disability claims experience is 104% of premiums paid, however, during the favourable experience years the policy was operating on a pooled basis and since we've changed to an "experience rated" basis our experience has deteriorated. Needless to say we have not requested a reduction in premium.

Confederation Life is still carrying a deficit on our Group Health Insurance policy but the carrier appears to be content with the status quo.

Concordia's Group Life Insurance policy experienced two bad years in 1978 and 1979, however, improved experience in 1980 and 1981 served to reduce the claims deficit.

Group Life Insurance Premium Reduction

Sun Life has proposed a premium reduction which averages 22%. Mr. Hamilton pointed out that it is easy to say the rate should be reduced but the question which must be addressed is how the overall cost should be distributed and shared.

A working document showing the current premium distribution compared to a proposed premium distribution prepared by Mercers was presented to Committee. (Appendix B of official minutes)

Mr. Smart asked what the total cost distribution would be using the Mercer proposal. Since these figures had not been prepared it was agreed that the information would be provided for the next meeting.

Mr. Waters asked which coverage was the best buy given the current premiums, Survivor Income Benefit or Optional Life Insurance. Mr. Hamilton noted that the Optional life was a good buy at the .28 rate. The Survivor Income benefits provide three to four times salary benefit at age 35. In terms of claims experience, there are more employees in the Basic plan therefore the claims experience will be higher but Concordia's claims experience under optional life hasn't followed the tables.

A cost distribution between University and employees will be provided for the next meeting. Current costs will be compared to the proposed cost break-down.

The next meeting will be held on Wednesday June 16, 1982 at 10:00 a.m. until noon. Should the agenda require more time the meeting can extend to 1:00 p.m.

The meeting adjourned at 2:20 p.m.

Respectfully submitted

M.D. Johnson

Dawn Johnson, Secretary